



Patrick W. Henning, Director

July 23, 2008

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Arnold Schwarzenegger  
Governor

Ms. Teresa Zimny, Program Manager II  
Napa Valley Workforce Investment Board  
650 Imperial Way, Suite 101  
Napa, CA 94559

Dear Ms. Zimny:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Napa Valley Workforce Investment Board's (NVWIB) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Jennifer Leeper from April 7, 2008, through April 11, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by NVWIB with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of NVWIB, a review of applicable policies and procedures, and a review of documentation retained by NVWIB for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on July 15, 2008, and reviewed your comments and documentation before finalizing this report. Because your response did

not adequately address finding one cited in the draft report, we consider this finding unresolved. We request that NVWIB provide the Compliance Review Division (CRD) with additional information and a corrective action plan (CAP) to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 80116. Conversely, your response adequately addressed finding two cited in the draft report, and no further action is required at this time. However, this issue will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 80117.

### **BACKGROUND**

The NVWIB was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, NVWIB was allocated: \$133,987 to serve 60 adult participants; \$137,159 to serve 51 youth participants; and \$232,636 to serve 61 dislocated worker participants.

For the quarter ending December 31, 2007, NVWIB reported the following expenditures and enrollments for its WIA programs: \$7,985 to serve 80 adult participants; \$101,346 to serve 47 youth participants; and \$81,705 to serve 55 dislocated worker participants.

### **FISCAL REVIEW RESULTS**

While we concluded that, overall, NVWIB is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of allocable costs. The finding that we identified in this area, our recommendation, and NVWIB's proposed resolution of the finding, is specified below.

#### **FINDING 1**

**Requirement:** Office of Management and Budget (OMB) Circular A-87, Attachment A, Section (C)(1)(a) states, in part, that for a cost to be allowable, it must be necessary and reasonable for proper and efficient performance and administration of Federal awards. In addition, costs must be allocable to Federal awards.

OMB Circular A-87, Attachment A, Section (C)(3)(a) states, in part, that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or

assignable to such cost objective in accordance with relative benefits received.

**Observation:**

The NVWIB charged the WIA program for three expenses that are not allocable to WIA. Specifically:

- The NVWIB procured five booster/infant car seats for \$519.80. The booster/infant car seats are used in Napa County vehicles to transport children to and from Child Protective Service visits, doctor/therapy appointments, and foster placement visits. The cost was allocated 1.4-percent to the Dislocated Worker program, 1.41-percent to the Adult program, .85-percent to the Youth program, and .079-percent to Rapid Response.
- A second purchase for infant/booster car seats was reviewed. The NVWIB procured two car seats for \$258.58 and allocated .87-percent to the Adult program, 1.3-percent to the Dislocated Worker program, 1-percent to the Youth program, and .23-percent to Rapid Response. These two car seats were used by CalWorks.
- Additionally, we found that NVWIB purchased 5,000 files for \$12,150. The file folders were bought and distributed to non-WIA programs but WIA was charged a portion of the cost. Specifically, the Adult program was charged .87-percent, the Dislocated Worker program was charged 1.3-percent, the Youth program was charged 1-percent, and Rapid Response was charged .23-percent.

**Recommendation:** We recommended that NVWIB reverse the charges to WIA grants and provide documentation of its action to CRD. We also recommended that NVWIB provide CRD with a CAP, stating how it will ensure, in the future, that WIA grants are charged only for costs that are allocable to the WIA program.

**NVWIB Response:** The NVWIB does not agree with the finding. Effective July 1, 2007, Napa County instituted a new methodology to allocate WIA costs. A number of other counties use the County Expense Claim, which was developed to allocate costs to Social Services allocations. The County Expense Claim was amended to add Program Identification Numbers so that it could be used for WIA Programs. The federally approved Cost Allocation Plan, which

documents and approves the County Expense Claim methodology states, in part: "County Welfare Departments (CWD) may elect to direct charge support operating costs to a function or program, or allocate costs using allocable caseworker time study hours/observations or total paid caseworker hours for a quarter. The options made available will be based on an individual CWD's ability to compile and identify different costs to a function or program. CWD will submit a letter of intent to the California Department of Social Services (CDSS) to use the direct charge methodology."

Napa County has not submitted a letter of intent to CDSS to use a direct charge methodology since Napa County has elected to allocate operating costs using time study hours for each quarter. The CDSS has further clarified that, "A cost may not be assigned to a Federal award as a direct costs if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost (OMB Circular A-87, Section C.1.f)." Therefore, if Napa County were to follow the recommendation found in this finding, it would be disregarding an important component of cost allocation, treating costs for like items consistently. Therefore, the agency believes it would be inappropriate to direct charge the costs shown in the finding above while allocating similar costs using time study hours as allowed in the federally approved Cost Allocation Plan.

**State Conclusion:** Based on NVWIB's response, we cannot resolve this issue at this time. The NVWIB referenced OMB Circular A-87, Attachment A Section (C)(1)(f), stating that a cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost, however, it is not applicable. In order for this requirement to apply, a cost must first be necessary, reasonable, and allocable to the WIA program (see citations in requirements section above). The car seats and the files are not necessary and reasonable nor allocable to the WIA program because there is no benefit received. They both are being used for non-WIA programs and therefore, WIA cannot be charged for them. We recommend that NVWIB reverse the charges to WIA grants and provide documentation of its action to CRD. We also recommend that NVWIB provide CRD with a CAP, stating how it will ensure, in the future, that WIA grants are charged only for costs that are allocable to the WIA program.

Until then, this issue remains open and has been assigned CATS number 80116.

## **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, NVWIB is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of contract provisions. The finding that we identified in this area, our recommendation, and NVWIB's proposed resolution of the finding, is specified below.

### **FINDING 2**

- Requirement:** 29 CFR Section 97.36(i)(3) states, in part, that grantee and subgrantee contracts must contain the provision that it will be in compliance with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60).
- Observation:** We reviewed one of NVWIB's PY 2007-08 contracts and found that the nondiscrimination provision did not include references to Executive Orders 11246 or 11375.
- Recommendation:** We recommended that NVWIB provide CRD with a CAP, including a timeline, to update its contract provisions to include references to Executive Orders 11246 and 11375 for future contracts.
- NVWIB Response:** The NVWIB stated that it will update their contract boiler plate to include references to the Executive Orders stated above. The updates will be made prior to the execution of any new agreements in which WIA funds are used.
- State Conclusion:** The NVWIB stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, NVWIB's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80117.

Ms. Teresa Zimny

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July 23, 2008

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than August 19, 2008. Please submit your response to the following address:

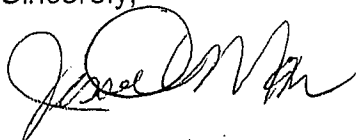
Compliance Monitoring Section  
Compliance Review Division  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is NVWIB's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain NVWIB's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Jennifer Patel at (707) 576-2017.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", written over a horizontal line.

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Division

cc: Shelly Green, MIC 45  
Jose Luis Marquez, MIC 50  
Dathan O. Moore, MIC 50  
Eileen Rohlfing, MIC 50